

BRECKLAND DISTRICT COUNCIL

Report of: William Smith, Executive Member for Internal Services

To: Cabinet – 31 July 2012

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Subject: Local Council Tax Support Scheme

Purpose: This report seeks approval to undertake formal consultation on a draft council tax support scheme. Furthermore, it requests that delegated authority is given to the Leader of the Council and the Chief Executive to formally agree the draft scheme prior to its publication.

Recommendation(s):

1. That the Leader of the Council and the Chief Executive be given delegated authority to determine the draft council tax support scheme for consultation;
2. To publish a draft council tax support scheme for consultation, in order to meet the statutory timetable to approve a final scheme before the end of January 2013.

1. BACKGROUND

- 1.1 In the Spending Review 2010, the Government announced that it would localise support for council tax from 2013-14; reducing expenditure by 10%.
- 1.2 The Local Government Finance Bill was introduced to Parliament on 19 December 2011 and made provision for the localisation of council tax support by imposing a duty on all [billing] local authorities in England to adopt a council tax support scheme by 31 January 2013 for implementation from 1 April 2013.
- 1.3 Breckland Council is required to undertake a formal consultation process on a draft localised council tax support scheme in order to meet statutory requirements as outlined in the Bill.
- 1.4 The Council must consult for a minimum 12 week period with the other major precepting authorities and such other stakeholders that it considers likely to have an interest in the scheme. The timetable for the implementation of a new scheme is tight and the consultation therefore needs to commence as soon as practicably possible (**timetable provided in Appendix A**).
- 1.5 This report seeks approval to undertake formal consultation on a draft council tax support scheme. Furthermore, it requests that delegated authority is given to the Leader of the Council and the Chief Executive to agree the draft scheme prior to its publication.

2. ISSUES

- 2.1 As indicated above, the amount to be made available nationally by Government to fund council tax support will be reduced by 10% compared to the current budget; saving in the region of £500 million. It is important to note that whilst the overall saving will be 10%, the distribution of 'grant' will be formula based. Some local authorities will therefore be facing changes of more or less than the headline figure of 10%.

- 2.2 A 10% reduction in funding has been assumed for the purposes of this report.
- 2.3 For Breckland, the reduction in funding will be borne by Norfolk County Council (78.23%), Norfolk Police Authority (13.45%), Breckland Council (4.38%) and Town/Parish Councils (3.94%).
- 2.4 For Breckland, the current estimate of the funding shortfall amounts to £695,801 for Norfolk County Council, £119,628 for Norfolk Police Authority, £38,957 for Breckland Council and £35,044 for Town/Parish Councils.
- 2.5 As the 'billing' local authority, Breckland Council can address this funding shortfall by: -
- a) Making savings through a new local council tax support scheme;
 - b) Making savings through a new local council tax support scheme and realising additional revenue through technical changes in council tax collection;
 - c) Funding the existing level of council tax 'benefit' and making savings elsewhere.
- 2.6 It is important that Breckland Council has due regard for the impact on the other precepting authorities when determining which of the above approaches to take.
- 2.7 All Norfolk local authorities have been meeting regularly over recent months with the aim of reaching consensus on a local council tax support scheme that can be applied consistently across the county. Whilst no formal agreement has been reached there is broad consensus that option b) as described above is the best approach moving forward.
- 2.8 The options available to Breckland Council for making savings through a new local council tax support scheme and realising additional revenue through technical changes are provided in the appendices to this report (**Appendix B**).
- 2.9 In summary, the options available include: -
- a) Increasing the charge on Second Homes
 - b) Introducing an Empty Homes Premium
 - c) Removing Second Adult Rebate
 - d) Capping the support entitlement
 - e) Adjusting the levels of support for non-dependents
 - f) Changing the level of minimum Council Tax award
 - g) Replacing Class 'A' Exemption with a discount
 - h) Replacing Class 'C' Exemption with a discount
- 2.10 Further detail is provided in the appendices. All options can be consulted upon and a Member steer is invited on those options which should be included in the draft scheme and be the focus for consultation and those that can be disregarded.
- 2.11 It is proposed that the funding gap is addressed through technical changes, maintaining where possible the current arrangements and minimising disruption. 'Billing' authorities are required to review the scheme on an annual basis and changes can be made to the local scheme as required on an annual basis.
- 2.11 The format for consultation and date for commencement are to be determined, however it is expected that consultation will be carried out in the following ways: -
- a) Online through the Council's website
 - b) Through Council publications
 - c) Workshop sessions with Elected Members
 - d) Workshops with stakeholder and 'interest group' representatives
 - e) Workshops with residents

- 2.12 On completion of the consultation process, the results and responses will be collated and analysed and will be taken into account in the formulation of the final council tax support scheme, which will be brought back to Council for approval and adoption.
- 2.13 In exercising functions in relation to local council tax support schemes, including in particular when making and revising schemes, 'billing' authorities will need to comply with the public sector equality duty in section 149 of the Equality Act 2010. It will be for local authorities to keep their local schemes under review, making any adjustments as necessary. It is anticipated that local authorities could face legal challenge from representative 'vulnerable' groups when making and revising schemes and it is therefore important that a comprehensive and robust Equality Impact Assessment is carried out.

3. OPTIONS

- 3.1 To do nothing.
- 3.2 To undertake consultation on a draft council tax support scheme that makes savings through new support arrangements and generates income through appropriate technical changes in council tax collection.

4. REASONS FOR RECOMMENDATION(S)

- 4.1 To do nothing would have the effect of invoking Government's default statutory scheme and as a result, the precepting authorities would bear the full cost of the grant reduction. This is, therefore, not deemed to be an appropriate option.
- 4.2 The approach outlined above and in the attached appendices would, where possible, use appropriate technical changes to fill the funding gap but would also consider savings that could be made by changing levels of support, e.g. capping entitlement.

5. EXPECTED BENEFITS AND TIMELINES

- 5.1 As outlined above and in the attached appendices, to allow for adoption of a local council tax support scheme by January 2013 and with implementation in April 2013, consultation needs to be undertaken in the summer and early autumn 2012 for 12 weeks.

6. IMPLICATIONS

6.1 Carbon Footprint & Environmental Issues

Not applicable

6.2 Constitution & Legal

There will be a legal requirement to make a scheme under the Local Government Finance Act.

6.3 Contracts

Not applicable

6.4 Corporate Plan

Not applicable

6.5 Crime and Disorder

Not applicable

6.6 Equality and Diversity & Human Rights

As detailed above, an Equality Impact Assessment will be required (under section 149 of the Equality Act 2010) to have been completed when making and revising a scheme.

6.7 Financial

As detailed above, a new Council Tax Support Scheme will be funded to 90% of the current level by Government. The 10% funding 'gap' will be borne by Norfolk County Council, Norfolk Police Authority and Breckland Council.

Precepting Authority	Funding Gap (10%)
Norfolk County Council	£695,801
Norfolk Police Authority	£119,628
Breckland Council	£38,957
Town / Parish Councils	£35,044
Total	£889,430

The new scheme will result in a lower tax base for council tax purposes and this will impact on Parish Councils.

It is critical that a new scheme is affordable to those precepting authorities listed above. Financial options on this are provided in the appendices to this report..

6.8 Risk Management

A full risk management assessment will be undertaken regarding the implementation of a new scheme and will be brought for Member consideration and approval alongside the final scheme.

With particular regard to this report, a key risk is that late consultation will delay implementation within an already tight timeline.

6.9 Staffing

Consultation will be resourced through the existing establishment.

6.20 Stakeholders / Consultation

This report is primarily concerned with the consultation process and as such this issue is addressed in the main body of the report.

7. WARDS/COMMUNITIES AFFECTED

7.1 All

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Key Decision – Yes

Background Papers – Localising Support for Council Tax – Statement of Intent

Appendices attached to this report:

- Appendix A - Timetable for Implementation
 - Appendix B - Options Appraisal
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Appendix A - Timetable for Implementation

It is intended that local authorities will establish their own local schemes by April 2013. The proposed timetable for implementation is:

Autumn/Winter 2011-12

- Government publishes a response to consultation
- Introduction of Local Government Finance Bill (including provisions for localisation of council tax support)
- Central and local government begin working on model schemes

Spring 2012

- Primary legislation in passage through Parliament
- Government preparing and publishing draft secondary legislation
- Technical consultation on grant distribution

Summer 2012

- Primary legislation passed
- Secondary legislation prepared
- Local authorities designing and consulting on local schemes

Autumn/winter 2012-13

- Local authorities establishing local schemes, consultation with major precepting authorities and the public – putting in place systems, notifying claimants of changes
- Secondary legislation passed
- Grant allocations published
- Local authorities setting budgets
- Local authorities adopt schemes

Spring 2013:

- Local schemes in operation

Appendix B

			Amount (10% reduction)
Estimated Total Grant			£8,894,300
Estimated Funding Gap			£889,430
	%	Numbers	Potential Saving/Income
Bandings			
Reduction in maximum amount of support to Band D level	1.10%	74	£97,900
Reduction in maximum amount of support to Band C level	2.83%	222	£251,400
Reduction in maximum amount of support to Band B level	7.41%	645	£659,400
Limitation to maximum liability (eligible Council Tax)			
Limitation of all cases to 90%	5.17%		£459,890
Limitation of all cases to 80%	10.16%		£903,890
Setting Minimum Levels			
Setting minimum to £2 per week	0.03%	51	£2,900
Setting minimum to £5 per week	0.39%	210	£34,500
Second Adult Rebate			
Complete withdrawal of SAR	0.13%	49	£11,500
Changes to Capital			
Reduction of capital levels to £6000 (Disregard 6000)	0.59%	73	£52,600

Changes to Discounts and Exemptions	Potential Saving/Income
Class A Exemptions withdrawn	£48,620
Class C Exemptions withdrawn	£668,043
Second Homes Discount withdrawn	£241,215
Total Income if 100% withdrawn	£957,878

2nd homes with 5% discount, Class A and C with 20% discount	£693,939
2nd homes with 5% discount, Class A and C with 40% discount	£550,605
2nd homes with 5% discount, Class A and C with 50% discount	£478,939
2nd homes with 5% discount, Class A and C with 60% discount	£407,273
2nd homes with 5% discount, Class A and C with 80% discount	£263,940

Maximum Benefit

Saving if 5% reduction in maximum benefit	£236,290
Saving if 10% reduction in maximum benefit	£459,890
Saving if 15% reduction in maximum benefit	£682,790
Saving if 20% reduction in maximum benefit	£903,890

Notes:

- The Government intend to abolish Class A and Class C exemptions, giving power to 'billing' authorities to discount up to 100%. Class 'A' Exemption is currently granted in respect of a vacant dwelling where major repair works or structural alterations are required, underway or recently completed. Class 'C' Exemption is currently granted in respect of a vacant dwelling which is unoccupied and substantially unfurnished.
- Under the current Council Tax Benefit scheme people on the lowest incomes can be helped to pay all of their council tax. Changing the maximum benefit entitlement would mean that people only get help with part of their council tax.
- Under the current Council Tax Benefit scheme it is possible for a person liable to pay Council Tax (regardless of their wealth or means) to claim up to 25% as a second adult rebate where they have people living in their home who are on passported benefits or a low wage or other income.